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FOR AMERICA, TAIPEI OFFERS AN EXAMPLE OF CHINESE DEMOCRACY

INTRODUCTION

While world attention has been centering on mainland China's violent suppression of its pro-democracy movement, across the Taiwan Strait political reform is gaining momentum. At one time both Chinas were ruled by tough dictatorships. The People's Republic of China on the mainland (the PRC) was in the grip of the Communists; the Republic of China on Taiwan (the ROC) was run by the Kuomintang (KMT) or Nationalists. Though repression on the mainland was much greater than on Taiwan, both Chinas presented an unflinching common front against democracy. No longer. As Beijing becomes increasingly isolated as one of the world's few remaining communist dictatorships, Taipei has been transforming itself step by step into a Chinese example of democracy.

Opposition Victory. This process began on December 6, 1986, when the 12 million voting-age citizens of the ROC for the first time in the history of Nationalist Chinese rule of the island were allowed to cast ballots for an organized political opposition, the Democratic Progressive Party (DPP). The process continued on July 15, 1987, when the martial law that had been imposed in 1949 was lifted. Then last December 2, in island-wide legislative and local elections, the opposition DPP won 35 percent of the vote. Commented

the *Wall Street Journal*: "Taiwan has flourished – at first economically and now, increasingly, as a democracy."¹

Deep Ties with America. The ROC's economic miracle by now is a well-known tale. Taiwan today is more than twenty times richer economically than the mainland China which former President Chiang Kai-shek and the Nationalists left behind 41 years ago. In 1952, the first year for which such numbers are available, the per capita Gross National Product (GNP) on Taiwan was a mere \$48; today it is more than \$7,500. Every 1,000 citizens then had to share one motor car and one telephone; now they have more than 40 cars to drive and 400 telephones to use.

The United States has played a large role in this economic and political development. For one thing, there are deep personal ties between the two societies. Many of the ROC's leaders studied in the U.S., as do over 30,000 ROC university-age students now. For another thing, America is the ROC's largest trading partner, largest export market, and its second largest import supplier after Japan. Last year, the ROC exported almost \$24 billion of goods to the U.S., comprising over 36 percent of all of the ROC's exports. These exports consist largely of electrical equipment, machinery, textiles, footwear, and sporting goods. ROC imports from the U.S. last year, meanwhile, made up over 22 percent of the island's imports and were valued at \$12 billion.

ROC's Leading Trade Partners, 1988 (\$ billions)					
	Imports		Exports		
		%			%
Japan	14.8	30	U.S.	23.4	39
U.S.	13.0	26	Japan	8.8	15
W.Germany	2.1	4	Hong Kong	5.6	9
Hong Kong	1.9	4	W.Germany	2.4	4
Australia	1.3	3	Britain	1.9	3

Source: *Republic of China Yearbook, 1989*, Kwang Hwa Publishing Co., Taipei, 1989.

U.S. Trade With ROC (\$ billions)							
	1982	1983	1984	1985	1986	1987	1988
U.S. Exports	4.4	4.7	5.0	5.5	7.4	12.1	13.0
U.S. Imports	8.9	11.2	14.8	19.8	24.6	24.8	23.4
Balance	-4.5	-6.5	-9.8	-14.3	-17.2	-12.7	-10.4

Source: *Foreign Trade Highlights, 1988*, U.S. Department of Commerce, Washington, D.C., 1989.

1 "Democracy East," *The Wall Street Journal*, December 1, 1989.

Among the ROC's principal American imports: agricultural products, electronics, wine, cigarettes, and machinery.

U.S. support also has been instrumental in ensuring the ROC's security. For decades, the island feared invasion from the mainland. To deter this, Washington gave Taipei almost \$4 billion in military aid and stationed some 3,700 American troops there, under the terms of the 1954 U.S.-ROC Mutual Security Treaty. Though no U.S. forces now remain on Taiwan, the 1979 Taiwan Relations Act (TRA) commits Washington to assist Taipei in maintaining its defense against possible threats from mainland China. Indeed, the TRA is a testament to the enduring tie between the two societies. The only congressionally-mandated foreign policy toward a country with which the U.S. maintains no formal diplomatic relations, the TRA is a document unique in American history, specifically designed to reaffirm American support for the people on Taiwan.

Delicate Task. To be sure, the U.S.-ROC relationship is not without problems. U.S. policy makers face the delicate task of balancing America's relations with Beijing and Taipei. And there remain important economic differences between Washington and Taipei, particularly the ROC's \$12 billion surplus in trade with the U.S.

The political changes on Taiwan could complicate significantly Washington's policy toward Taipei by making the democratically-elected ROC politicians less receptive to American prodding than at any point in the past four decades. Accurately observes *The Economist*: "Taiwan is an example that when people grow richer, they grow more demanding. They want more freedom, both material and political."² As in other developed nations before them, the ROC's emerging middle-class society will not sit easily atop political immobility.

As such, the status quo on Taiwan no longer seems assured. U.S. policy makers should bear this in mind as they pursue American interests in the relationship. To ensure as stable an environment as possible while Taipei makes its transition to a fully functioning democracy, Washington should:

◆ ◆ **Continue to prod Taipei to continue the democratization of the island, including freer political discussion, debate, and open elections.** The U.S., however, should allow the ROC to set the pace and define the agenda of this political reform and not set specific demands or timetables for the ROC's democratization.

◆ ◆ **Reaffirm past American assurances that Washington will protect the ROC's interests in the Washington-Taipei-Beijing relationship.** Washington should continue to refuse to consult with Beijing concerning the content of arms sales to Taipei or set a date for ending arms sales to Taipei; uphold the 1979 Taiwan Relations Act; and maintain the current American policy

2 "Transition on Trial," *The Economist*, March 5, 1988.

toward China's reunification, which insists that Taiwan's future is an issue for the Chinese themselves to decide by peaceful means.

◆ ◆ **Support Taipei's application this January 1 to enter the General Agreement on Tariffs and Trade (GATT).** The principal multilateral agreement covering world trade, GATT's effectiveness has been impaired by its excluding the world's thirteenth largest trading nation.³

◆ ◆ **Announce a preference for patient negotiation of contentious trade issues with Taipei and refrain from listing the ROC under the "Super 301" as an unfair trade partner.** Super 301 is part of the 1988 Omnibus Trade and Competitiveness Act and is aimed at rapidly reducing trade imbalances with the ROC and other countries by threatening American trade retaliation.

◆ ◆ **Explore creating a U.S.-ROC Free Trade Area (FTA),** which would eliminate trade restrictions and prevent many future trade tensions.

◆ ◆ **Urge Taipei's active participation in U.S. Treasury Secretary Nicholas Brady's international debt reduction initiative.** Late last September, for example, U.S. Treasury officials urged ROC officials to help reduce the debt of nations with which the ROC has formal diplomatic relations, like Costa Rica. Efforts to enlist Taipei's involvement in such American-sponsored initiatives should continue.

◆ ◆ **Support the inclusion of Taipei as an observer in the Asia-Pacific Economic Cooperation Forum (APEC).** This new group seeks to expand Pacific Basin cooperation on economic and trade issues and includes Australia, Brunei, Canada, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Thailand, and the U.S.⁴

◆ ◆ **Explore opportunities for U.S.-ROC cooperation in areas of international development.** The Joint Sino-American Commission on Rural Reconstruction (JCRR), for example, could be re-established. This was a program initiated in 1947 between the Nationalist government and the U.S. Department of Agriculture which contributed greatly to Taiwan's rural reform. Disbanded in 1979, it could again serve as a model for development.

◆ ◆ **Urge Eastern Europe to look to Taipei as a model for economic and political development.** Organizationally and structurally, the ROC offers a working example of economic and political reform to these nations. Washington should not hesitate to suggest it as a potential model.

3 See Andrew B. Brick, "The Case For Taipei's Membership in International Economic Organizations," Asian Studies Center *Background* No. 82, October 27, 1988.

4 See Thomas J. Timmons, "America's Role in Promoting Pacific Economic Cooperation," Asian Studies Center *Background* No. 100, March 15, 1990.

DEMOCRACY, IDENTITY, AND A CHANGING ROC

What is happening on Taiwan today is without precedent in the history of Greater China. Some 20 million ethnic Chinese on an island the size of New Hampshire are on a march toward institutionalized democracy. Said Kang Ning-hsiang, an eminent Taipei journalist in interviews with The Heritage Foundation: “No less than a decade ago, the ROC pursued ‘laissez-faire’ economic policies in a tightly controlled political environment. That is different now.”

Facing Many Challenges. Now, even the harshest critics of Taipei’s political past readily acknowledge that the country’s authoritarian concentration of power is changing under the influence of a successful, market-based economy. In the past few years alone, the ROC’s leadership has permitted the formation of new political parties, freed the press, relaxed foreign exchange controls, allowed strikes and the formation of unions, and lifted the ban on its citizens’ travel to mainland China. It is estimated that 600,000 people from Taiwan visited the mainland last year, making them the second most numerous tourists in the PRC, slightly trailing Japan’s 650,000.

The pace and content of ROC political change is so rapid that few are willing to predict what may happen next. “We’re facing many challenges at the same time — political democratization, labor disputes, pollution control and economic liberalization,” noted Liang Kuo-shu, chairman of Chang Hwa Commercial Bank. “Japan addressed these problems one by one, in different decades after the war. We have to face them all at the same time.”⁵

Irreversible Trends. The late ROC President Chiang Ching-kuo, son of Chiang Kai-shek, started the process of political reform in 1984 when he designated Lee Teng-hui, a native-born Taiwanese, as his successor. In many ways, Chiang’s decision to back Lee epitomizes the ROC’s transition toward democracy. “Taiwanization” of the ruling Kuomintang’s highest reaches was both good politics and a reflection of irreversible and undeniable trends. Over 80 percent of the island’s people have roots in Taiwan dating back at least to the 17th Century. Politics dominated by mainland Chinese who had retreated to Taiwan in 1949 therefore could not be sustained indefinitely; many, quite frankly, were dying off. Moreover, the social and cultural barriers between the island’s new and old immigrants had been reduced through intermarriage, a common educational system, and a growing middle class.

Lee Teng-hui’s political rise and the ROC’s evolving democratization also mark the emergence of an unprecedented plurality and diversity in the island’s political debate. Noted one opposition politician: “At present, democracy on Taiwan is a lot like hunting. I call it an open season on old truths.”

5 Andrew Tanzer, “Taiwan’s Long March Toward Democracy,” *Forbes*, April 3, 1989, p. 48.

Identity Crisis. And the old truths are under siege. On one front, the ROC's democracy challenges traditional Chinese notions of stable governance. The demonstrations in Taipei's streets that are becoming more common seem chaotic to many Chinese. On another front, democracy creates an identity crisis for many of the island's citizens. Under the Chiang family's regime, the country's mission was to resist communism and recover mainland China. Though that mission remains official government policy, the debate over the island's future is now much more complex.

The response to the carnage in Tiananmen Square last June 4 is especially instructive in this regard. Writes Jonathan Moore in the *Far Eastern Economic Review*: ... "there have been two responses [on Taiwan] to the events in Beijing. One is an unusual sense of affinity for and sympathy with the students and therefore a heightened sense of Chineseness. The other is an affirmation of Taiwan's separateness." The ROC's political scene is characterized today by a mix of those who support unification with China and those who advocate independence from China, of political oppositionists, like members of the Democratic Progressive Party, and Kuomintang loyalists.⁶

Republic of China

Official Name: Republic of China.

Area: 13,814 square miles, about the size of Massachusetts and Connecticut combined.

Population: 20,283,000.

Capital: Taipei, population (1987) 2,575,000.

Ethnic Groups: Taiwanese: 84%; Mainland Chinese 14%; Aboriginal: 2%.

Workforce: 8,500,000 — Commerce and Services: 35%; Manufacturing: 34%; Agriculture: 17%; Construction: 7%.

Natural Resources: negligible.

Agricultural Products: rice, sweet potatoes, sugarcane.

GNP (1989): \$150.4 billion.

Per Capita GNP (1989) \$7,518.

Infant Mortality Rate (1988) 19/1,000.

Life Expectancy: 73 years.

U.S. Trade with ROC:

Imports from ROC (1988) — \$24.8 billion.

Exports to ROC (1988) — \$12.1 billion.

ROC Trade with the World:

1989 Exports — \$66.205 billion.

1989 Imports — \$52.267 billion.

Trade Surplus: \$13.938 billion.

Current Account Surplus:

1989: \$10.5 billion

Foreign Exchange Reserves:

1989: \$72.0 billion.

Sources: Thomas J. Timmons, *U.S. and Asia Statistical Handbook, 1989 Edition*, The Heritage Foundation, Washington, D.C., 1989; *Far Eastern Economic Review*, March 22, 1990.

Heritage DataChart

6 Jonathan Moore, "Split Personality," in *Far Eastern Economic Review*, June 29, 1989, p. 30.

Arguably, the Tiananmen Square Massacre also accelerated the popular desire for Taiwanese majority rule and an end to the Kuomintang's one-party domination. The reason: a functioning democracy almost surely provides the ROC the most effective defense against Communist China. Wrote *Wall Street Journal* reporter James McGregor, after last December's election: "If Taiwan can develop full democracy in the next few years, China has good reason to keep the island at arm's length. The last thing China's rulers want is to absorb an island where people are accustomed to speaking their minds and electing their government representatives."⁷

Constitutional Reform. The next critical test for the island's evolving democracy may be reform of the ROC's constitutional structure. It is here that limitations on majority Taiwanese representation in government persist. It also is here that the KMT's claim to represent all of China is preserved.

Enacted in 1947, the constitution establishes a 752-member National Assembly, the ROC's electoral college, which last month elected Lee Teng-hui President of the country. The Assembly is dominated by 668 elderly delegates, all members of the ruling KMT, elected to their posts before the Nationalist government fled the mainland in 1949. Since then, these lawmakers have been frozen in office by a series of laws, called the "Temporary Provisions." Ostensibly, they will remain in office until the ROC government returns to power in China and holds new elections there.

To some, these aged assembly members symbolize the ROC's claim to be the rightful government of all China. To a great many others, however, they are a roadblock to truly representative democracy on Taiwan. It thus came as no surprise that when over 6,000 university students gathered on March 21 in Taipei's main park to protest these elderly lawmakers' hold on power, the National Assembly had few supporters in either the press or, apparently, society at large. To the protestors, the ROC's future relationship with mainland China was not so much at stake. The island's democratization was. Newly elected President Lee Teng-hui was acutely aware of this and readily agreed to the students' demand that a so-called "National Affairs Conference" be convened by July to discuss further political reforms.

FLEXIBLE DIPLOMACY AND RELATIONS ACROSS THE TAIWAN STRAIT

While political wrangling over the future of the National Assembly and other issues is at times contentious and heated, the ROC has remained stable. This largely is because the island's consensus for change — even at the highest echelons of power — is so large that debate focuses less on whether the ROC

⁷ James McGregor, "Democracy is Taiwan's Best Defense Against China," *The Wall Street Journal*, December 6, 1989, p. A15.

will continue its reform than at what pace and by what agenda this reform will proceed.

For the Bush Administration and Congress, the issue of greatest importance for the ROC's emerging democracy concerns the island's identity, specifically how Taiwan defines itself vis-a-vis mainland China. Though still a minority view, increasingly there is a call for Taiwan to declare its independence from China. To do so, of course, would abandon the claim that Taipei technically is the capital of all China. The growing public advocacy in the ROC of Taiwan's independence could affect profoundly American efforts to balance U.S.-PRC-ROC relations. Beijing, for example, repeatedly has stated it forcefully will prevent Taiwan's independence.

Offsetting Isolation. The debate on Taiwan over its political future coincides, meanwhile, with Taipei's efforts to establish, using what some of its leaders call "flexible diplomacy," an international identity for the ROC distinct from the mainland, while maintaining the principle of "one China." Late last year, some legislators in Taipei unofficially addressed this issue using the formula "one China, two governments seeking reunification."

Although it draws upon Taipei's growing economic prominence as a major international trader, flexible diplomacy specifically is designed to offset the ROC's international isolation. When Lee Teng-hui visited Singapore last March, for example, he accepted the designation "President Lee from Taiwan," instead of the preferred title, "President Lee from the Republic of China." Said Lee at a press conference upon his return to Taipei: "It is unnecessary for us to care too much about the name. If we keep being bothered by these minor problems, there is no way [for the ROC] to break out" of isolation.

In earlier days, such a statement would have been heresy. Then ROC foreign policy was limited by the "one China" formula — formally established in 1971 when the United Nations replaced Taipei with Beijing as China's official representative. This is the same principle by which most countries today recognize Beijing rather than Taipei as the seat of China's government.

Changing the Rules. Flexible diplomacy changes the rules. Now, Taipei will accept a nation's recognition of both it and Beijing. In January 1989, the ROC announced that it would not suspend official relations with South Korea if Seoul decided, which it has yet to do, to establish diplomatic relations with Beijing. By the end of last year, four new countries had recognized Taipei: the Bahamas, Belize, Grenada, and Liberia, bringing the total of nations that recognize the ROC to 26. All but the Bahamas then had diplomatic relations with Beijing.

Beijing predictably reacts indignantly to Taipei's courtship of the world. For one thing, it knows that Taipei is today more acceptable to the world community than is Beijing precisely because of its bloody suppression of student democrats in Tiananmen Square. For another thing, countries like Liberia and Belize used to be Beijing's principal allies. The PRC's loss of influence in the Third World implied by these countries' recognition of Taipei

seems especially alarming to the mainland's elderly leaders. They do not want a "bidding war" with Taipei for other nations' diplomatic support. Last October 11, a front page story in the Chinese Communist Party newspaper *People's Daily* commented: "The Taiwan authorities use silver bullets in the name of cultural, economic, trade, and technological exchanges to buy the hearts of the people and to develop diplomatic relations with certain countries."⁸

Mainland Benefits. Ironically, mainland China itself benefits from some of the ROC's "silver bullets." Since November 1987, when the Red Cross Society of Taiwan was authorized to begin processing applications for ROC citizens to visit the mainland for family reunions, over half a million have traveled from Taiwan to the PRC. Trade between the ROC and South China, particularly Fujian Province, has expanded steadily since and is estimated today easily to exceed \$3 billion annually. Indeed, it can be argued that Fujian has been kept afloat economically by its contacts with the ROC.

Today, there are pressures on both sides of the Taiwan Strait further to liberalize restrictions on contact. On the mainland, there is significant evidence that provincial officials largely ignore instructions from Beijing to curtail contacts with the outside world, including Taiwan, and seek to continue their business ties. In Taipei, authorities are pressured by business people who find the current restrictions a major irritant. On doing business in the mainland since June 4, one ROC businessman told The Heritage Foundation: "I am my government's best foreign policy. I detest the communists' politics but I love the potential of their markets. There is no better subversion of that society than my working over there."

AMERICAN POLICY AND A CHANGING ROC

Taipei's rapprochement with Beijing likely will continue to evolve within well-defined limits. Taipei's leaders — and the public they serve — are generally wary of Beijing's political volatility, especially with so-called "hard line" communist leaders in power. They especially worry that the island's moves toward democracy could be interpreted by Beijing as instability, and instability on Taiwan could be an invitation to Beijing to invade. A factor that might be adding to their present anxiety: reports that Beijing recently deployed *Jian 8-B* fighter aircraft in Southeastern China.⁹

Flexible diplomacy also could add to the ROC's sense of its own political volatility. The island's domestic political stability, for example, could be undermined if the political opposition saw flexible diplomacy as an opportunity to press their demands for Taiwan independence. This may explain why Taipei

8 *Renmin Ribao*, October 11, 1989, p.1

9 Mike Fonte, "State Department Reaffirms Concern for Peaceful Resolution," *Capital Morning Post* (Taipei), March 15, 1990.

has been noticeably quiet in recent months about its unofficial policy of “one China, two governments seeking reunification.”

Dealing with Taipei’s rapidly changing political environment also will challenge American policy-makers. The ROC’s fledgling democracy presses Taipei’s politicians on more fronts than ever before. Indeed, the island pursues an agenda in many respects divorced from what has become the frustrating but predictable and familiar minutiae of Washington-Taipei bilateral concerns. U.S. policy makers should be prepared to encounter a nation understandably less receptive to American prodding on some issues than in the past.

Firm, Patient Negotiations. Washington thus should select carefully the vehicles with which it seeks to resolve differences with Taipei. Because the U.S. not only has a stake in settling its bilateral problems with the ROC, but also in Taipei’s continued progress toward democracy, Washington must take care that its policies do not needlessly complicate the political balance in Taipei. Firm but patient negotiation of contentious trade issues with the ROC, for instance, is preferable to bludgeoning Taipei with the Super 301 trade sanction.

What is critical is that Taipei is moving in the right direction on virtually every front of concern to Washington. American officials should remember this as they adopt their policy toward the ROC to the new circumstances. American policy makers should:

◆ ◆ **Maintain the current American position toward China’s reunification, stressing that the U.S. will not pressure either Beijing nor Taipei toward reconciliation.** George Bush, however, should direct National Security Advisor Brent Scowcroft to make a detailed analysis of Taipei’s employment of so-called “flexible diplomacy,” ROC public advocacy of Taiwan Independence, and American policy toward those developments. Current American policy is largely based on the diplomatic parlance that “there is one China and Taiwan is part of China.” Calls for an independent Taiwan or efforts by Taipei to establish, under the rubric of “flexible diplomacy,” an identity distinct from mainland China are the issues most likely to upset the balance in Washington-Taipei-Beijing relations.

◆ ◆ **Reaffirm those American assurances that Taipei sees as essential to defending its interests vis-a-vis mainland China.** Such assurances include: U.S. promises to resist Beijing’s pressures to either end or reduce the level of arms sales to Taipei; U.S. refusal to either mediate between Beijing and Taipei or exert pressure on Taipei to enter into negotiations with Beijing; and U.S. pledges to uphold the Taiwan Relations Act.

◆ ◆ **Support Taipei’s January 1 application to enter the General Agreement on Tariffs and Trade.** Because the ROC seeks GATT membership as an autonomous “Customs Territory of Taiwan, Penghu, Kinmen, and Matsu,” it avoids the sticky issue of the name by which it will be called. In the past, Beijing predictably refused to accept the ROC’s membership in any international organization if the ROC used the title “Republic of China,” or any

other name that implied Taipei's claim to be the capital of all of China. As the world's thirteenth largest trading nation, the ROC should not be excluded from the GATT or any other major international economic organization. The Senate Finance Committee sent a letter to the White House on March 5 calling on Bush to support the ROC's inclusion in the GATT.

◆ ◆ **Press Taipei to reduce further the sources of trade friction between it and the U.S.** Several areas are of specific concern. For one thing, the ROC still has a \$12 billion trade surplus with the U.S. resulting in part from the ROC's unfair high tariffs on agricultural products like processed foods. For another thing, the ROC still restricts the sale of many American services in Taiwan. Taipei must open its markets further to U.S. banks, insurance companies, and other financial institutions (just as the U.S. is wide open to foreign financial institutions) and reduce restrictions on American advertising, accounting, and shipping firms operating on Taiwan. Despite such trade friction, this year at least, Washington should not designate the ROC under the so-called "Super 301" as a "priority" country which has erected "systematic" barriers to U.S. goods and services. Bilateral trade talks are working and Taipei has been responding to many U.S. demands. No trade measure, moreover, could correct an unalterable fact: an economically vibrant nation like the ROC, with a population of only 20 million, could never import as much as they export to the U.S.

◆ ◆ **Explore the possibility of negotiating a Free Trade Area with Taipei.** FTAs are the most effective bilateral means of opening markets and are consistent with the multilateral process in the GATT. Patterned on the current agreements with Canada and Israel, a U.S.-ROC FTA would eliminate all barriers to trade, creating the most "level playing field" of all. Reports last year by the Congressional Research Service and the International Trade Commission both suggested that an FTA with Taipei could enhance market opportunities for American companies.¹⁰

◆ ◆ **Support the inclusion of Taipei and Beijing as observers in the newly-formed Asia-Pacific Economic Cooperation forum, or APEC.** At the forum's first meeting in Canberra, Australia, U.S. representatives correctly argued that mainland China, which is not a market economy, does not belong in such a group. Beijing's exclusion, however, unfairly prevents Hong Kong and Taipei from participating. A short-term solution: Washington's proposal to offer Hong Kong full APEC membership, Beijing official observer status, and Taipei unofficial observer status. Washington should push this solution at APEC's next meeting in Singapore in July.

¹⁰ See William H. Cooper, "Taiwan-U.S. Free Trade Area: Economic Effects and Related Issues," Congressional Research Service Report, February 9, 1989; "The Pros and Cons of Entering into Negotiations on Free Trade Area Agreements with Taiwan, the Republic of Korea, and ASEAN, or the Pacific Rim in General," U.S. International Trade Commission, March 1989.

◆ ◆ **Urge Taipei's active participation in international economic development.** Two areas are particularly promising. First, the ROC should participate in the so-called Brady Plan aimed at reducing international debt, especially for countries with which the ROC has formal diplomatic relations. Costa Rica would be an excellent starting point. Second, Washington should press Taipei to play a role in Eastern Europe's economic recovery from communism. Though anti-communist and economically open, the ROC's government has structural features fashioned by the same Comintern agents who shaped the Soviet and Chinese Communist Parties in the mid-1920s. Taipei thus offers a working example of reform to Eastern Europe. Notes Richard Bush, Staff Consultant for the U.S. House of Representative's Subcommittee on Asian and Pacific Affairs: "Taiwan may be the most successful of those systems to make a transition to democracy with stability."¹¹

◆ ◆ **Explore joint U.S.-ROC cooperation in international economic development.** In the 1950s, for example, Washington and Taipei cooperated to refine and develop Taiwan's rural infrastructure. The key instrument for this was the Sino-American Commission on Rural Reconstruction (JCRR). Established during the final days of the ROC on China mainland, the JCRR served both as the agricultural section of the U.S. aid mission and the de facto ministry of agriculture for the ROC government. This unique organization existed outside the regular bureaucracy of both governments, was able to recruit a well-paid, highly-skilled staff, and played an important role in introducing innovations in agriculture, expanding agricultural production, and improving the quality of rural life. It could prove just as effective today in aiding Third World agricultural development.

CONCLUSION

Nowhere today is the distinction between democracy and totalitarianism more distinct than across the 100-mile Taiwan Strait. In Beijing, elderly dictators hang desperately on to power, dispatch thousands of armed troops to Beijing's central square at even a hint that a handful of students may gather in peaceful protest, and suffocate economic freedoms. In Taipei, meanwhile, former authoritarians are relinquishing the reigns of power and allowing their countrymen, including explicit political opponents, to search for and debate constitutionalism and the pace of democratization.

Delicate Process. This change on Taiwan, no less so than the year-long repression on the mainland, has changed the arena in which U.S. policy toward China operates. Just as Washington thus must redesign its policy toward Beijing, it must begin adjusting its policy toward Taipei.

11 Richard Bush, "The U.S.-ROC Political and Economic Relationship After Tiananmen Square," remarks at The Heritage Foundation Conference on "The Washington-Taipei Relationship: New Opportunities to Re-Affirm Traditional Ties," October 25, 1989.

The rapidly fluctuating environment of the ROC's fledgling democracy puts new items on the Washington-Taipei agenda. On these, Washington should proceed cautiously; the democratic process is a delicate one. Immediate resolution of issues like bilateral trade imbalances can wait as the ROC completes its more important transition to democracy.

Andrew B. Brick
Policy Analyst

CHRONOLOGY

- July 15, 1987** **Taiwan ends martial law.**
- January 13, 1988** **President Chiang Ching-kuo dies.** Vice President Lee Teng-hui accedes to presidency, expected to be a caretaker until stronger candidate selected.
- March 25, 1988** **Mainland publications allowed** to circulate in Taiwan.
- January 1989** **Diplomatic relations established** between Taiwan and the Bahamas.
- May 26, 1989** **Taiwan not named** by the Bush Administration as a “priority country” under the “Super 301” provision of the 1988 Trade Act.
- July 1989** **Diplomatic relations established** between Taiwan and Grenada, although the latter had official relations with the Mainland. Beijing suspends these relations.
- July 19, 1989** **U.S. Senate passes amendment** to the State Department Authorization bill, in response to the Tiananmen Square massacre, reaffirming U.S. interest that the future of Taiwan be settled peacefully.
- October 1989** **Diplomatic relations established** between Taiwan and Liberia and Belize, although the latter two had official relations with the Mainland. Beijing suspends these relations.
- December 2, 1989** **Opposition DPP garners 35 percent** of the popular vote in legislative and local elections, making the government more representative of the Taiwan people than at any time since 1949.

January 9, 1990

France bows to Beijing pressure and cancels its sale of frigates to ROC.

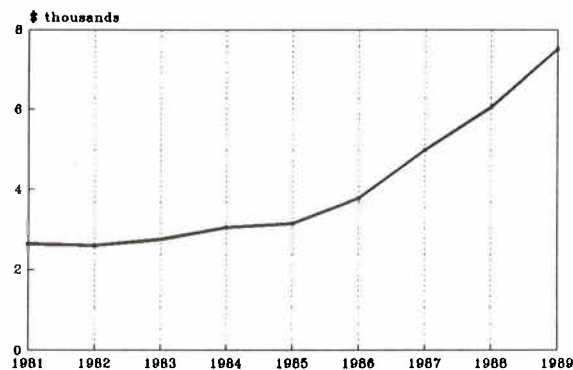
March 21, 1990

National Assembly elects President Lee Teng-hui to a six-year term.

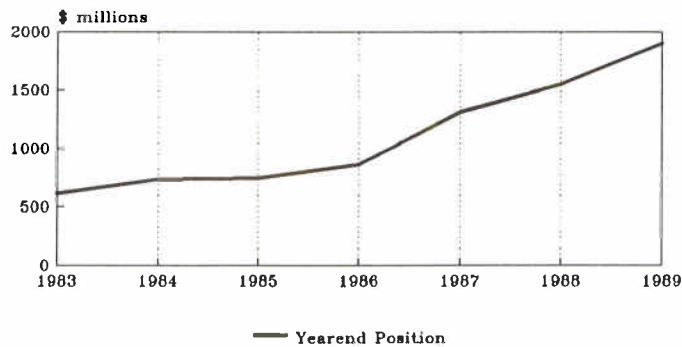
March 1990

Pro-democracy demonstrators surround Chiang Kai-shek Memorial demanding the retirement of the 668 assemblymen, representing districts on Mainland China, who last faced the voters in the 1940s.

ROC Per Capita GNP



U.S. Direct Investment in the ROC



Source: International Direct Investment, Global Trends and U.S. Role, 1988 Edition, U.S. Department of Commerce.